

MINUTES

**Regular Meeting
Commission on Local Government
10:00 a.m., May 12, 2008
Third Floor Outer Conference Room
The Jackson Center
501 North Second Street
Richmond, Virginia**

Members Present

Frances M. Parsons, Chairman
Harold H. Bannister, Jr.
Kathleen K. Seefeldt

Members Absent

Vola T. Lawson, Vice Chairman

Staff Present

Susan Williams, Local Government Policy Manager
Steve Ziony, Principal Economist
Matthew Bolster, Senior Policy Analyst
Barbara Johnson, Administrative Assistant

Call to Order

The Chairman called the meeting to order at 10:05 a.m. on May 12, 2008 in the Third Floor Outer Conference Room of the Department of Housing and Community Development (DHCD) at the Jackson Center in Richmond, Virginia.

I. Administration

A. Approval of Minutes of Regular Meeting of March 10, 2008

Mr. Bannister made a motion that the minutes of the Commission's regular meeting of March 10, 2008 be approved, such motion was seconded by Mrs. Seefeldt and the Commission unanimously approved the minutes without amendment.

B. Public Comment Period

Mrs. Parsons opened the floor to receive comments from the public. No person appeared to testify before the Commission during the public comment period.

C. Presentation of Financial Statement for April 2008

Referencing an internally produced financial statement that encompassed expenditures through the end of April 2008, Ms. Williams stated that the financial report covered 83.3 percent of Fiscal Year 2008 and that Commission expenditures for that ten-month period represented 82.2% of the total amount budgeted for the current fiscal year. The members accepted the report for filing.

D. Local Government Policy Manager's Report

1. Membership

Ms. Williams announced that Commission member John Kines recently returned to Prince George County as interim county administrator. Because the *Code of Virginia* prohibits members of the Commission on Local Government from holding any other elective or appointive public office, Mr. Kines indicated to Ms. Williams that he will be resigning from the Commission. Ms. Williams offered to draft a resolution commending Mr. Kines for his distinguished service as a member of the Commission and asked the other members to share any recollections regarding his tenure that they would like to see included in the resolution.

2. Potential Agency Move

Ms. Williams informed the members that DHCD's lease for the Jackson Center will soon expire and that the agency may be moving to a building located at 8th and Main

Streets in downtown Richmond. A brief discussion ensued regarding space requirements for the Commission staff, its meetings and its library as well as the reasoning behind the potential move. Members directed Ms. Williams to draft a letter for the Chairman's signature urging the Governor and/or Secretary of Administration to permit the agency to remain in its current location at least until such time as state-owned office space is available.

3. Budget Update

Ms. Williams highlighted items from the final 2008-10 biennium budget that affect DHCD as well as the planning district commissions (PDCs). She indicated that, while there were some reductions experienced by the agency, the CLG budget was not reduced. She also stated that the final budget included an additional \$200,000 in the first year from the general fund to the Commonwealth Regional Commission for regional economic development efforts and an additional \$325,000 each year for four PDCs – Lenowisco PDC, George Washington Regional Council, Rappahannock-Rapidan Regional Commission and Northern Virginia Regional Commission. Mr. Bannister requested more information regarding the amount of state funds allocated to each PDC, which was promptly distributed by Ms. Johnson along with a directory of PDCs and their member jurisdictions. Ms. Williams noted that the Commission recently received notification that Charles City County has become a member of the Crater PDC and that, like Chesterfield County, Charles City County will hold dual membership in both the Crater and Richmond Regional PDCs.

4. Potential Interlocal Issues

Ms. Williams informed the members that she received a request for information regarding town incorporation from a Lake Gaston Association director who is also a *Lake Gaston Gazette* reporter. Ms. Williams explained that, after she provided the information, she was invited by the Lake Gaston Association to do a presentation on the town incorporation process at their annual meeting in June. Ms. Williams stated that the pertinent area is located in Brunswick and Mecklenburg Counties in Virginia and Halifax, Northampton and Warren Counties in North Carolina and that the Association has previously heard a presentation from a North Carolina representative. Ms. Williams also provided copies of a recent *Gazette* article, which addresses the issue.

Ms. Williams informed the members that she received a request for information regarding the process for annulling a town charter from a Town of Clarksville citizen who indicated that he has authored letters to the editor of the local newspaper on the subject. Finally, Ms. Williams indicated that she received an inquiry from a Town of Clinchco citizen regarding the boundary line adjustment process.

Ms. Williams then provided updates to the members regarding potential interlocal issues discussed at previous meetings. She indicated that a *Roanoke Times* reporter contacted her regarding a proposed City of Bedford reversion to town status / consolidation with Bedford County. Ms. Williams provided copies of several newspaper articles regarding the proposal, which indicate that the city has asked for discussions with the county board of supervisors regarding the issue. Next, Ms. Williams distributed copies of an article regarding the potential consolidation of Alleghany County and the

City of Covington, which indicated that a petition has been drafted and signatures are being collected and that the mayor has indicated that city is ready to “sit down and talk.” Ms. Williams then indicated that, according to the *Eastern Shore Post*, the Towns of Eastville and Cheriton are both in the process of requesting boundary adjustments from Northampton County.

Mrs. Seefeldt asked Ms. Williams to prepare and maintain a chart of potential interlocal issues based on the information Ms. Williams provides at Commission meetings and to include the fiscal stress scores for each locality involved as well as a notation as to whether the issue would come to the Commission for review.

5. Other Staff Activities

Ms. Williams described various requests for information received and responded to since the March meeting, including (1) a request from Miller, Earle & Shanks regarding a 1970’s Rockingham County ordinance pertaining to residential planned community / R-4 zoning; (2) a request from a citizen regarding the history of the Town of Chincoteague for an article commemorating the town’s 150th anniversary; (3) a similar request for information regarding the incorporation of the Town of Amherst in connection with its 100th Anniversary.

Next, Ms. Williams announced that the design phase is complete on the SharePoint portal that will facilitate the mandates assessment process for state agencies and local governments, and the testing phase will get underway immediately. In addition, Ms. Williams explained that the redesign of the Commission’s web pages is almost complete, and she asked members to visit the pages and let her know of any additional

information or changes they would like to see. Mr. Bannister asked that a link be placed on the main page for users to direct comments to the Commission staff.

Ms. Williams indicated that Commission staff attended McGuire Woods' 17th Annual Ethics Program on April 1 in Richmond and the Virginia Chapter American Planning Association's (VAPA's) Annual Planning Conference on March 26 - 28 in Reston.

6. Meeting Per Diem

Ms. Williams stated that, in accordance with the Commission's policy on compensation and reimbursement, per diem will be paid to Mrs. Parsons for May 11 and per diem will be paid to Mrs. Parsons and all members present for their service to the Commonwealth on May 12, 2008.

II. Presentation of the Fiscal Stress Report for 2005/2006

A. Change in Revenue Capacity Per Capita, 2001/2002-2005/2006

Mr. Ziony explained that, as documented in Table 2.1 of the draft report, the overall mean level of jurisdictional revenue capacity climbed from \$1,230.59 per resident to \$1,579.71 per capita across the 2001/2002-2005/2006 time span. Mr. Ziony indicated that, during this interval, the typical Virginia locality experienced growth in its revenue-raising potential at a mean periodic rate of 6.10%; and, by the close of 2005/2006, counties and cities throughout the Commonwealth, on the average, were 27.01% stronger relative to their 2001/2002 fiscal ability thresholds. Mr. Ziony added that, during this time period, state and local governments nationwide faced an average rise of only 21.07% in the prices charged for goods and services falling within their inventory of

Minutes
Regular Meeting
10:00 a.m., May 12, 2008
Page 7

purchases. In addition, Mr. Ziony stated that the revenue-generating potential of Virginia's counties and cities tended to expand at a pace distinctly faster than the rate of inflation confronting public-sector economies across the nation.

Next, Mr. Ziony stated that, according to Tables 2.3 and 2.4, over three-fourths of Virginia's localities (N=104) registered continuously increasing levels of revenue capacity in per capita terms from 2001/2002 through 2005/2006. Further, with respect to that interval, he indicated that 23 of the remaining jurisdictions recorded gains in fiscal ability across three of the four measurement periods. Mr. Ziony explained that, on a per capita basis, 94.8% of the Commonwealth's localities manifested capacity expansion during most, if not all, of the time span under review, yet 16 counties and 14 cities posted reductions in fiscal ability at one stage or another across the specified chronological range and seven jurisdictions witnessed the shrinkage of their revenue-generating potential in multiple periods following 2001/2002. Mr. Ziony pointed out that one of these localities (Covington City) experienced three instances of diminishing revenue capacity per capita over the time frame covered by the present report. Mr. Ziony concluded that, even though the fiscal ability of the average county or city increased throughout the 2001/2002-2005/2006 interval, the per capita magnitude of revenue-raising potential periodically declined for 22.4% of all localities during that measurement span.

Mr. Ziony then stated that, as Table 2.5 discloses, between 2001/2002 and 2005/2006, average capacity growth reached 17.64%, 15.64%, and 15.35% in Northampton County, Westmoreland County, and Accomack County, respectively. He

explained that, over the same time span, the per capita level of fiscal ability rose at a mean periodic rate exceeding 10% in 13 other localities – Rappahannock County, Middlesex County, Nelson County, Northumberland County, Caroline County, Lancaster County, Mathews County, Warren County, Fredericksburg City, Madison County, Shenandoah County, Highland County, and Clarke County. Mr. Ziony explained that the 12 counties and one city yielded mean rates of change ranging from 13.73% in Rappahannock County to 10.04% across Clarke County. Mr. Ziony added that, along with the top-ranked jurisdictions, these entities stood in marked contrast to the eight counties and three cities which recorded, on the average, slight relative gains (i.e., increases below 2% each period) or even negative “growth” in their revenue-raising potential. Finally, Mr. Ziony explained that, according to Table 2.5, the localities in the bottom sector of the graduated data series were Greensville County (1.93%), Lynchburg City (1.91%) , Covington City (1.85%), Alleghany County (1.75%), Halifax County (1.62%), Lunenburg County (1.37%), Galax City (1.37%), Lee County (.81%), Bath County (.49%), Dickenson County (.48%), and Surry County (-.84%).

B. Change in Revenue Effort, 2001/2002-2005/2006

Mr. Ziony stated that, throughout the Commonwealth, the average rate at which local governments tapped their revenue-raising potential grew continuously from .9586 to .9966 over the 2001/2002-2005/2006 interval, yet only 11.9% of all jurisdictions (ten counties and six cities) recorded successively rising margins of capacity utilization with respect to the same time span. As for the remaining jurisdictions, Mr. Ziony stated that between 40.3% and 47.8% yielded declining effort scores in any given measurement

Minutes
Regular Meeting
10:00 a.m., May 12, 2008
Page 9

period following 2001/2002. He further indicated that 52 counties and 25 cities, representing 57.5% of the Commonwealth's localities, posted diminished collections per dollar of revenue capacity during two or more of the accounting cycles under review.

Mr. Ziony stated that, among these entities, 13 jurisdictions (ten counties and three cities) mobilized indigenous capacity at consecutively decreasing rates from the end of 2001/2002 through the close of 2005/2006. Mr. Ziony concluded that, while local fiscal effort gradually climbed on a statewide average basis across the four periods surveyed, 54.7% of all counties and 64.1% of the Commonwealth's cities experienced slippage in the ratio of actual receipts to potential revenue during multiple stages of the overall time frame.

Next, Mr. Ziony stated that, to the degree that Virginia's local governments periodically expanded their capacity utilization margins, the strongest mean levels of relative growth (i.e., increases of at least 5%) were realized across the designated measurement interval, as shown in Table 4.5, by 9 counties and 3 cities, ranging from Russell County at 9.75% to Emporia City at 5.62%. He said that more significant is that 45 counties and 19 cities (or 47.8% of the localities statewide) recorded mean rates of change in fiscal effort at magnitudes lower than 1% during the time span under review and that 47 of these jurisdictions manifested, on the average, negative "growth" in capacity utilization between 2001/2002 and 2005/2006. Mr. Ziony added that, with regard to the latter jurisdictions, the sharpest patterns of relative decline (as gauged by mean scores below -5%) emerged in 10 counties ranging from Lancaster at -5.12% to Westmoreland at -6.52%.

C. Fiscal Stress, 2005/2006

Mr. Ziony stated that the mean index value pertaining to cities (172.80), which registered above the jurisdictional average for the Commonwealth as a whole (165.00), markedly exceeded the equivalent county figure (161.80) during 2005/2006. He explained that, when the investigative focus is shifted to a consideration of specific local scores, it can be discerned from Table 6.3 that the 134 numerically ordered stress computations covered a range of 58.53 points, with the Emporia City and Loudoun County statistics (193.09 and 134.56, respectively), constituting the maximum and minimum values statewide.

Mr. Ziony added that, over the 2005/2006 time span, the most fiscally distressed locality in Virginia surpassed the least financially strained jurisdiction by a margin of 43.5% on the composite index. He went on to reveal that the county and city scores comprising the middle sector of the measurement continuum, as delineated by the first and third quartile values, occupied an interval representing 28.0% of the total index scale. Mr. Ziony stated that the intermediate segment of the data series exhibited a moderate degree of statistical heterogeneity relative to the full scope of dispersion in local stress scores across Virginia.

Next, Mr. Ziony explained that, during 2005/2006, the average magnitude of jurisdictional stress, as shown in Table 6.6, varied somewhat over the nine regions of the Commonwealth. He indicated that, among the 95 counties and 39 cities, localities in Southwest Virginia, maintaining an overall index value of 174.03, recorded the highest mean level of fiscal hardship throughout the period under review. He further indicated

Minutes
Regular Meeting
10:00 a.m., May 12, 2008
Page 11

that these jurisdictions shared the upper third of the geographic data continuum with their counterparts in Southside and the Southern Piedmont-Valley Industrial Zone, which yielded fiscal stress averages of 172.80 and 170.77, respectively. Mr. Ziony stated that, within every other section of Virginia (except the Tidewater area), the local mean score lagged behind the statewide jurisdictional average in 2005/2006.

Mr. Ziony stated that, over this period, the counties and cities of Northern Virginia experienced, on the average, the lowest degree of fiscal strain in the Commonwealth (146.75) and that their mean level of duress trailed that of localities in the top-ranked region – Southwest Virginia – by a margin of 15.7%.

Mr. Ziony explained that, across the State, the fiscal pressures engendering local distress registered with unequal force upon counties and cities in 2005/2006. He stated that, according to Table 6.1, the mean index score relative to Virginia's municipalities surpassed the corresponding value for the Commonwealth's counties by 11.00 index points, a relative difference of 6.8% during this measurement period. Mr. Ziony indicated that the average city endured greater fiscal strain than the typical county regardless of its geographic location, population level, or demographic growth rate.

Turning to Table 6.3, Mr. Ziony observed that 82.1% (N=32) of all municipalities generated stress scores exceeding the statewide local average over the 2005/2006 interval. He stated that, in contrast, 57.9% (N=55) of the 95 counties sustained fiscal duress at levels below the mean value for the Commonwealth at large. Mr. Ziony then noted that the top and bottom ranges of the stress index continuum manifested sharp compositional differences along jurisdictional class lines throughout the period under

Minutes
Regular Meeting
10:00 a.m., May 12, 2008
Page 12

examination. He said that, with respect to the 21 localities at the “high” end of the data series, 76.2% (N=16) were cities, and, among the 20 “low stress” jurisdictions, counties represented 85.0% (N=17) of the total.

Mr. Ziony indicated that, across the State, as Tables 6.4 and 6.5 show, municipalities outpaced their contiguous counties on the summary measure of fiscal strain in 90.4% (N=47) of the cases analyzed. He further stated that a review of the matched jurisdictions establishes that city index scores were at least one tenth higher than the corresponding county values in 17 instances, and the degree of inter-local disparity, according to Table 6.5, varied between 15% and 19% for six of the latter pairings. Mr. Ziony explained that cleavage of corresponding strength (or a variance margin as large as 5%) did not materialize with respect to any situation in which the stress level of a county exceeded that of its neighboring municipality. Mr. Ziony concluded that, from the data surveyed, it is clear that the demands of fiscal management typically burdened cities to a greater extent than counties over the course of 2005/2006.

A brief discussion ensued after which Mr. Bannister made a motion that the report be approved. Mrs. Seefeldt seconded the motion, which passed unanimously.

Ms. Williams then commended Mr. Ziony for his outstanding work on the report and acknowledged with gratitude the time he spent after hours and on weekends during its preparation. She stated that this report represents a milestone as it is the twentieth in the series. Ms. Williams then announced that DHCD recognized Mr. Ziony’s efforts by naming him Employee of the Month. The members offered their congratulations and thanked Mr. Ziony for a job well done.

III. State Agency Assessment of Mandates in FY 2009

Mr. Bolster noted that at the last meeting, the Commission had adopted the mandate assessment schedule for FY 2009 proposed by the agencies and staff. The Secretary of Commerce and Trade and the Governor had subsequently approved the schedule, and it will be published in the Virginia Register this month. The only remaining official action needed from the Commission is to adopt the form that the agencies will use in completing their assessments. Mr. Bolster said that the format is essentially the same, but with more explanation in the instructions. He proposed one change to the language: in item E.2(a), the second sentence should read “Refer to information contributed by localities on the CLG website” rather than “Refer to information solicited from localities by the CLG.” This change will correct the impression that the CLG is responsible for collecting information from localities. Per Executive Order 58, information collection is the agencies’ responsibility. However, the CLG is facilitating the sharing of information through its new interactive website.

Mr. Bannister made a motion to adopt the assessment form with the suggested amendment. Mrs. Seefeldt seconded the motion, and it passed unanimously.

IV. 2008 Survey of Cash Proffers

Mr. Bolster explained that the 2008 survey process will begin in July 2008, by mailing the survey form to the localities eligible to accept cash proffers. Responses will be due at the end of September, and the final report must be submitted to the House of Delegates and Senate by November 30, 2008. Mr. Bolster commented that even if the

cash proffer system is replaced by an impact fee system, the survey will still have to be done for a number of years to come because localities will continue to collect pledges made under the old system. It is highly likely that the CLG will be required to conduct a parallel annual survey on the use of impact fees, should they replace cash proffers. Such a provision was included in the legislation introduced in the 2008 General Assembly Session.

Mr. Bolster stated that the survey instrument proposed for use in the 2008 cash proffer survey is the same as in previous years, with the exception of some names and dates. Respondents will be able to submit their completed survey forms by mail, fax, or by e-mail. The form will be available for downloading from the CLG website.

Mr. Bannister asked that Mr. Bolster's e-mail address be added to the bottom of the form. Mrs. Seefeldt made a motion to adopt the cash proffer survey form with the suggested amendment. Mr. Bannister seconded the motion, and it passed unanimously.

V. 2008 General Assembly Session: Local Fiscal Impact Estimate Process

In response to a request made by the Commission during its March meeting, Ms. Williams provided an expanded "scorecard" demonstrating the level and timeliness of participation by each of the localities that volunteered to provide local fiscal impact data to the Commission during the 2008 General Assembly Session. Ms. Williams explained that the expanded scorecard indicates all responses received from the localities – both timely and late – and includes additional columns in which response rates and timeliness rates are calculated. Mr. Bannister inquired as to whether late responses are of any use in the process, and Ms. Williams explained that responses received after a particular fiscal

impact estimate has been submitted to the Clerk of the House and the Division of Legislative Automated Systems are not incorporated in the estimates. Mrs. Parsons asked for a separate tracking document in which notation is made as to which bills were submitted to the localities for review.

VI. Scheduling of Meetings

The Commission confirmed that its next regular meeting will take place on Monday, July 14, 2008 at the DHCD offices in Richmond. In addition, the Commission confirmed that the September 8 regular meeting of the Commission is scheduled to take place at the DHCD offices in Richmond and that the November 10 regular meeting is tentatively scheduled to take place in conjunction with the VACo annual conference in Bath County. A brief discussion ensued regarding the letters from Mrs. Parsons that were mailed on February 14 to VML and VACo requesting the opportunity to address their annual conferences in the Fall. Mrs. Parsons indicated that she had received no response from either organization and that she would follow up by contacting both executive directors.

VII. Upcoming Events of Interest

Ms. Williams reminded members of the following upcoming events of interest: NACo's 2008 Annual Conference and Exposition on July 11-15 in Kansas City, Missouri; ICMA's 94th Annual Conference on September 21-24 in Richmond; the 2008 VML Annual Conference on October 19-21 in Norfolk; and VACo's Annual Conference on November 9-11 in Bath County.

VIII. Adjournment

There being no further business to come before the Commission, the meeting was adjourned at 12:32 p.m.

Vola T. Lawson
Vice Chairman

Susan B. Williams
Local Government Policy Manager